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SUBJECT: GEORGIA TEXTILES AND APPAREL SECTOR:UPDATED
STATISTICS AND PROJECTION OF FUTURE COMPETITIVENESS

REF: A. STATE 138090

[1](#)B. TBILISI 2128

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[1](#)1. Pursuant to Ref A Embassy Tbilisi provides the following statistics and information regarding the textile sector in Georgia.

[1](#)2. Statistics (2005 data):

Total industrial production (USD thousands): 1,158,267
Total textiles and apparel production (USD thousands): 7,745
Textile/apparel share of Georgian imports: 2.6%
Textile apparel share of Georgian exports: 1.0%
Exports in textiles and apparel to the United States
(USD thousands): 74 (Georgian Statistics Office figure)
(USD thousands): 550 (U.S. Census figure)
Total industrial employment, including mining 83,497 (2006: 82598)
Total textiles and total apparel employment 2,024 (2006: 2420)

[1](#)3. Post interviewed Georgian Ministry of Trade officials and Davit Jinjaradze, Financial Director of Georgia's largest textile manufacturer, Batumitex, to obtain the following information.

[1](#)4. Q. Are host country producers receiving lower prices due to heightened international competition? Have manufacturers received more, less, or the same number of orders as in years past? Have foreign investors, particularly Asian investors, closed factories or otherwise pulled out of local production?

[1](#)A. Textile production in Georgia, like manufacturing of all products, was devastated by the economic dislocation caused by the dissolution of the Soviet Union in 1991. The Georgian Department of Statistics lists 129 producers of textiles. Many of these may not be functioning or do not export from Georgia. One company, Batumitex, was established in 2001 by Greenoak, Ltd. the Danish-owned port operator in Batumi. Greenoak has since sold part of the business to Low Profile, a Turkish company. Batumitex sews 100,000 garments a month, destined for sale in Marks and Spencer stores in Europe. As everywhere, prices of textiles and apparel produced in Georgia are probably lower than they would otherwise be because of competition from China and other countries of the Far East. However, prospects for the industry in Georgia seem to be improving because of political and economic changes in Georgia resulting in lower taxes and tariffs, more

reliable availability of electricity and other utilities, and increasing wages in Turkey. According to Batumitex and the Turkish Consul in Batumi, two new textile factories employing 1000 people each are planned for Adjara, financed by Turkish investment (Ref B). We are not aware of any Asian investors in textile production, and have not seen any reports that Asian investors have closed factories or pulled out of the Georgian market. Batumitex and other textile producers are able to import their inputs duty free so long as they are re-exported.

15. Q. Have U.S. and EU restrictions on certain exports of textiles and apparel from China, effective through 2008, affected export prospects for host country manufacturers?

1A. Exports of textiles from Georgia to the United States are negligible, so it is difficult to gauge the effect of restrictions on Chinese exports. More important are EU limits on exports from Turkey. Turkish investors in Batumi are seeking to take advantage of unused EU quotas for Georgian textile exports.

16. Q. Has the host government implemented, or is it considering implementing, safeguards or other measures to reduce growth of imports of Chinese textile and apparel products into the host country?

1A. The GOG is not contemplating safeguards or other measures to reduce growth of imports of Chinese textile and apparel products. In fact, duties on imports of textiles, along with many other manufactured products, were reduced by a new customs law that took effect on September 1, 2006. Textile tariffs were reduced from 12% to 5%.

17. Q. Has increased global competition affected local labor conditions by causing employers to reduce wages, seek flexibility from government required minimum wages, or adversely affected union organizing?

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1A. So far as is known, increased global competition has not affected local labor conditions by causing Georgian employers to reduce wages. The monthly wage in the private sector in Georgia has slowly increased since 2000, but at the end of 2005 it was only about \$100, which according to our research is similar to the average wage reported in China. Batumitex pays its workers about \$150 per month. A Tbilisi producer of socks for the domestic market told us he pays his workers about \$235 per month. There is no minimum wage in Georgia for non-government workers from which employers might seek flexibility. Unions are not strong anywhere in Georgia.

18. Q. Has the host government or private industry taken action to increase the country's competitiveness, such as improving infrastructure, reducing bureaucratic requirements, developing the textiles (fabric production) industry, moving to higher value-added goods, or identifying niche markets? Does post think that the host government or private industry's strategy will be successful?

1A. The GoG has taken dramatic steps to improve the ease of doing business generally and improve the competitiveness of Georgian industry. The World Bank has named Georgia the top reformer in the world in 2007. The government is working to improve roads, is opening a new airport in Batumi, has reduced bureaucratic requirements and licensing, reduced taxes, enacted extremely liberal laws regulating employment, attacked corruption among customs and immigration officials at the borders, and intends to completely eliminate import duties by 2008. None of this has been done specifically to benefit textile producers, but it can be expected to increase the attractiveness of Georgia as a destination for such investment.

19. Q. If your host government is a partner in a free trade

agreement or a beneficiary of a preference program such as AGOA, CBTPA, CAFTA or ATPDEA, will this be sufficient for the country to remain competitive?

11A. Georgia has a free trade relationship with the countries of the former Soviet Union. So far, Russia has not imposed restrictions on imports of Georgian industrial goods and textiles and apparel, as it has on agricultural products, wine and mineral waters, but tensions with Russia are always a drag on economic development in Georgia. Georgia has not yet been able to capitalize on the free trade relationship to benefit its textile industry, but the potential exists. Greater opportunities than those in Russia and the CIS probably lie in the European Union market. Factories located in Georgia have an advantage over Chinese competitors in that shipping times to the European market are less and the lead time for production of seasonal styles is therefore reduced. According to Batumitex, a truck can complete a trip from Batumi to Milan or Frankfurt in 6-8 days. and New York is 25 days away by ship. Georgia is one of only two CIS countries and 15 countries in the world that have GSP access to the European Union market, under which textiles are not duty free but receive a reduced tariff. The EU has been reluctant to enter into negotiations for free trade with Georgia, but since the suspension of the Doha round has begun to express more interest in such an idea.

110. In sum, Georgia has some potential, for the most part unrealized, for attracting textile manufacturing. Georgia's marketing efforts are fairly rudimentary at this point, but the favorable publicity generated by the World Bank's ease of doing business survey may prompt some manufacturers to take a second look at the idea of locating factories in Georgia, despite increasing competition from China.
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